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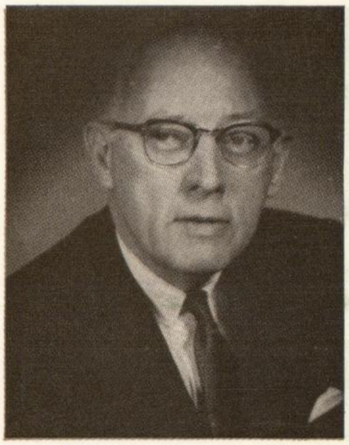
# NATIONAL DAIRY PRODUCTS CORPORATION

# ANNUAL REPORT 1960

# BOARD OF DIRECTORS

*The Directors of National Dairy Products Corporation bring to the Company the benefit of a wide range of experience in various fields, including industry, banking and finance, merchandising, publishing and communications. Their connections and length of service as Directors are shown under the accompanying photographs.*

E. E. STEWART*†
*Chairman of the Board and*
*Chief Executive Officer*
*16 years a Director*



J. HUBER WETENHALL*†
*President*
*6 years a Director*

# *To Our Stockholders:*

Nineteen Hundred and Sixty was another good year for National Dairy. The continued growth of the business, as a great and diversified food company, reflects our success in reaching expanding markets in the United States as well as other countries in this hemisphere and overseas.

More than ever, it became apparent that the Company's overall strength is derived in great measure from two factors—the geographical scope and the diversity of its operations. In both respects we moved ahead in 1960, not only entering new markets, but also expanding our plant resources and distribution facilities in the most promising areas.

Our principal operating Divisions strengthened their organizations and their services. These Divisions, working together in 1960, enabled us to bring an unprecedented range of foods and services to home and industry alike.

This Annual Report reviews for stockholders our various operations during the past year, and shows how the Company's continuous effort toward greater efficiency and wider diversification of products is contributing substantially to the progress of the business.

E E Stewart
*Chairman of the Board*
*and Chief Executive*

EDGAR N. BRAWNER
*General Manager,* Washington, D. C.
District, Sealtest Foods Division
*22 years a Director*

RICHARD C. BOND
*President,* John Wanamaker
Philadelphia, Incorporated
*4 years a Director*

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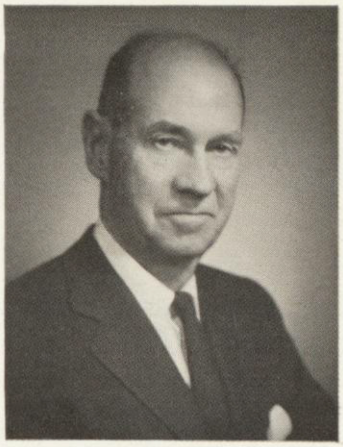
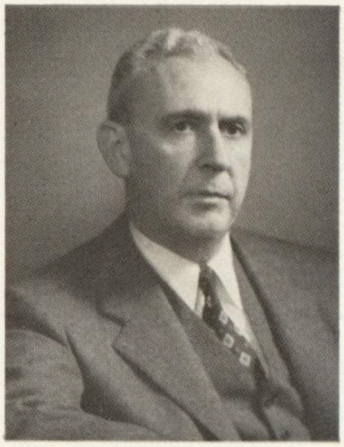
**Sidney J. Weinberg*†**
*Partner,* Goldman, Sachs & Co.,
New York
*31 years a Director*



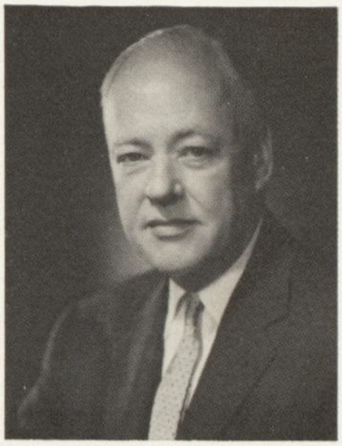
**Robert S. Gordon**
*Vice-President & Gen. Counsel,*
*30 years a Director*

**Henry W. Breyer, Jr.*†**
*President,* Breyer Corporation,
Investments, Philadelphia,
*28 years a Director*



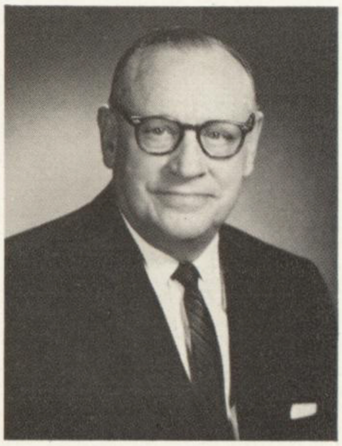
**P. P. Miller**
*Former Vice-President;*
*Former President,* Sealtest Foods Div.
*27 years a Director*

**Paul C. Cabot*†**
*Chairman,* State Street
Investment Corporation, Boston,
*17 years a Director*

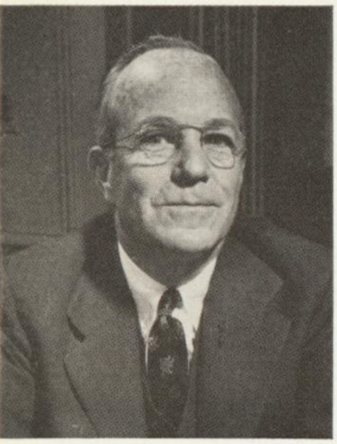


**George H. Rutherford†**
*Vice-President*
*Chairman,* Finance Committee
*12 years a Director*

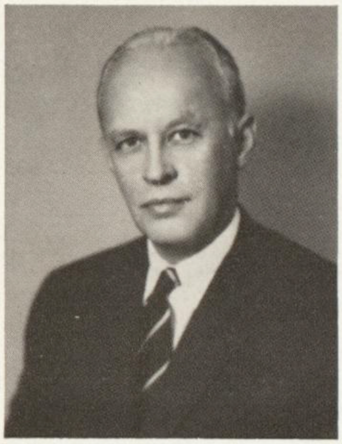
**Clyde H. Shaffer**
*Vice-President,* Sealtest Foods Div.;
*President,* Breyer Ice Cream Div.
*9 years a Director*



**J. Clyde Loftis*†**
*Vice-President;*
*President,* Kraft Foods Div.
*8 years a Director*

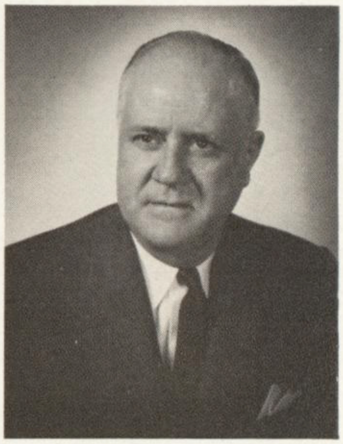


**David L. Luke***
*President,* West Virginia Pulp
and Paper Company, New York,
*4 years a Director*



**Walter N. Thayer†**
*President,* Whitney Communications
Corporation, New York,
*4 years a Director*

**Philip D. Reed†**
*Former Chairman of the Board,*
General Electric Co., New York,
*3 years a Director*



**Dr. C. R. Roberts*†**
*Vice-President;*
*President,* Sealtest Foods Div.
*1 year a Director*

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*Member, Executive Committee
†Member, Finance Committee

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# Highlights Of Operations

| | 1960 | 1959 |
|---|---|---|
| Net Sales | $1,667,176,000 | $1,605,725,000 |
| Net Profit | $ 50,667,000 | $ 49,362,000 |
| Per Share | $ 3.59 | $ 3.51 |
| Per Dollar of Sales | 3.04% | 3.07% |
| Federal and Foreign Taxes on Income | $ 51,280,000 | $ 49,100,000 |
| Per Share | $ 3.63 | $ 3.49 |
| Dividends to Shareholders | $ 28,177,000 | $ 27,317,000 |
| Per Share | $ 2.00 | $ 1.95 |
| Capital Expenditures | $ 44,425,000 | $ 48,568,000 |
| Depreciation | $ 32,771,000 | $ 31,788,000 |
| Working Capital | $ 209,244,000 | $ 194,429,000 |
| Stockholders' Equity (Excluding Intangibles) | $ 420,454,000 | $ 396,283,000 |
| Number of Stockholders | 69,940 | 69,708 |

# Report of Management

National Dairy concluded another year of strong and well-balanced growth in 1960, with sales and profits moving well ahead of their previous peak performance in 1959. Sales and earnings rose for the sixth consecutive year, both having increased in nine out of the last 10 years. All our Divisions, encompassing domestic operations and foreign subsidiaries, enjoyed a substantial business and each contributed effectively to our consolidated income.

For the first time in our Annual Report we are presenting, on Pages 9-19, a section devoted entirely to divisional operations, so as to acquaint stockholders more fully with the activities, growth and potential of each of our operating Divisions.

## SALES

In 1960, the Company processed and sold the largest volume of products in its history. This was the 12th successive year of increased tonnage sales, as most of our many product lines continued to make gratifying advances. Total sales in the United States, Canada and overseas were $1,667,176,000 as compared with $1,605,725,000 in 1959, an increase of $61,451,000, or 3.83%. Foreign sales excluding Canada were $120,234,000, up $7,688,000 over the previous year.

Although affected somewhat by unseasonable summer weather, domestic sales benefited from the steady flow of new and improved products; and from the high priority placed on increasing production and marketing facilities of profitable, well-established product lines. Foreign sales benefited from continued improvement of distribution systems and the further expansion of services to our customers in fast-growing world markets.

## PROFITS

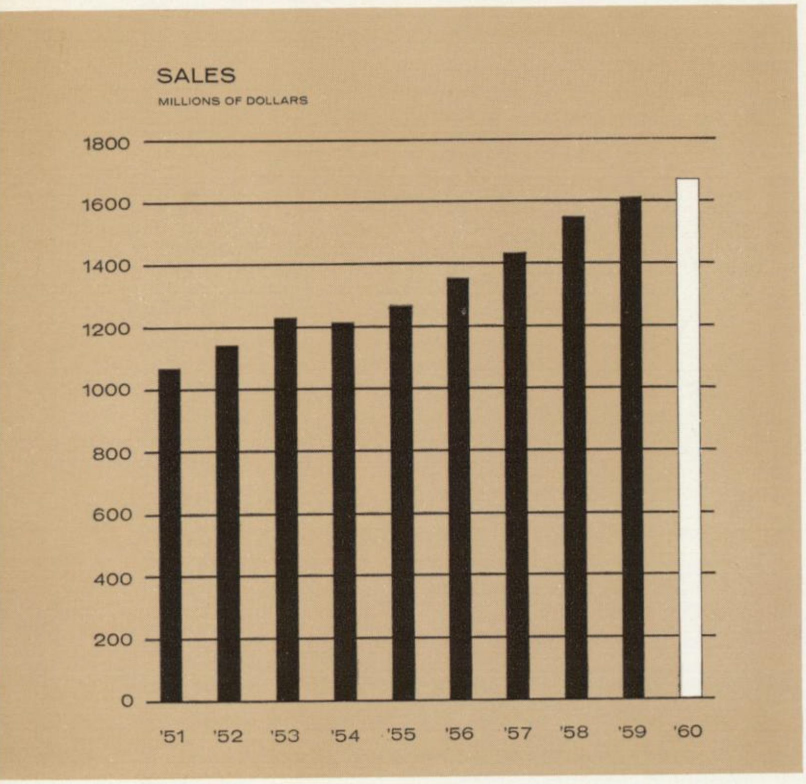
Net earnings for the year totaled $50,667,000, an increase of $1,305,000, or 2.64% over 1959. Net per share for 1960 was $3.59 as compared with $3.51, representing a gain of 8¢ a share for the year. There were 14,112,213 shares outstanding as against 14,057,737 shares outstanding at the end of 1959.

Profits before taxes last year reached a record of $101,947,000, an increase of $3,485,000 over pre-tax earnings of $98,462,000 for the previous year. Provision for Federal and foreign income taxes in 1960 totaled $51,280,000.

Costs and expenses reflected the greater level of operations and continuing high prices of materials, supplies and services. The cost of materials purchased was $917,034,000 for the year. Wages and salaries amounted to $262,013,000, services and supplies, $174,781,000, other charges—including packaging, repairs and maintenance, depreciation and interest—were $197,091,000; while total taxes amounted to $71,490,000, or $5.07 per share.

## DIVIDENDS

National Dairy paid a record total of $28,177,000 to stockholders in 1960. This makes the 37th successive year in which quarterly dividends have been paid without interruption. The rate per share was $2.00 for 1960 and compared with $1.95 a share for the previous year. At the end of 1960, the Company had 69,940 stockholders located in all of the 50 states, in five U. S. territories and 45 foreign countries. There was a total of 67,358 individual holders and 2,582 institutional holders, such as mutual funds, insurance companies, fiduciary agencies, foundations, universities and philanthropic organizations.



## FINANCIAL POSITION

The Company continued to maintain a strong financial position. Current assets totaled $355,882,000. Inventories of products, supplies and materials rose to $224,587,000 to serve the larger volume of business. Current liabilities totaled $146,638,000. Working capital amounted to $209,244,000, an increase of $14,815,000 over 1959.

Property, plant and equipment, less depreciation, amounted to $298,103,000, while total assets were $670,343,000. Long-term debt, excluding amounts due currently, totaled $84,178,000, representing a reduction of $3,708,000. Stockholders' equity in the business was $420,454,000, an increase of $24,171,000, with a book value at the year-end equal to $29.79 a share as against $28.19 a share in 1959. Stockholders' equity has nearly doubled in the last 10 years.

## PLANNING FOR GROWTH

The Company's progress in 1960 reflected not only the attention we devoted to increased efficiencies designed to achieve immediate returns, but also our constant effort to carry forward our broad policy of long-term growth. We implemented this policy last year through continued expansion of existing operations and the steady entry into broader markets with our consumer, institutional, industrial and chemical products. These efforts required intensive management planning, as well as substantial investment in plant and equipment; in distribution facilities; in research and development, and in advertising and merchandising.

## CAPITAL EXPENDITURES

National Dairy is carrying out one of the largest capital investment programs in the food industry. During the last 10 years, a total of around $400,000,000 has been invested in new plants and equipment, and in the necessary additions and replacements to modernize manufacturing, distributing and research facilities. The Company's Divisions now operate more than 200 major processing and manufacturing plants and over 300 distributing branches on this continent and overseas.

The new facilities provided by this continuing program are being placed where the profit and growth potential seems best. They enable us to increase the quality and quantity of product output; to serve our customers better and faster; and to provide the greater operating economy important in the determination of profits.

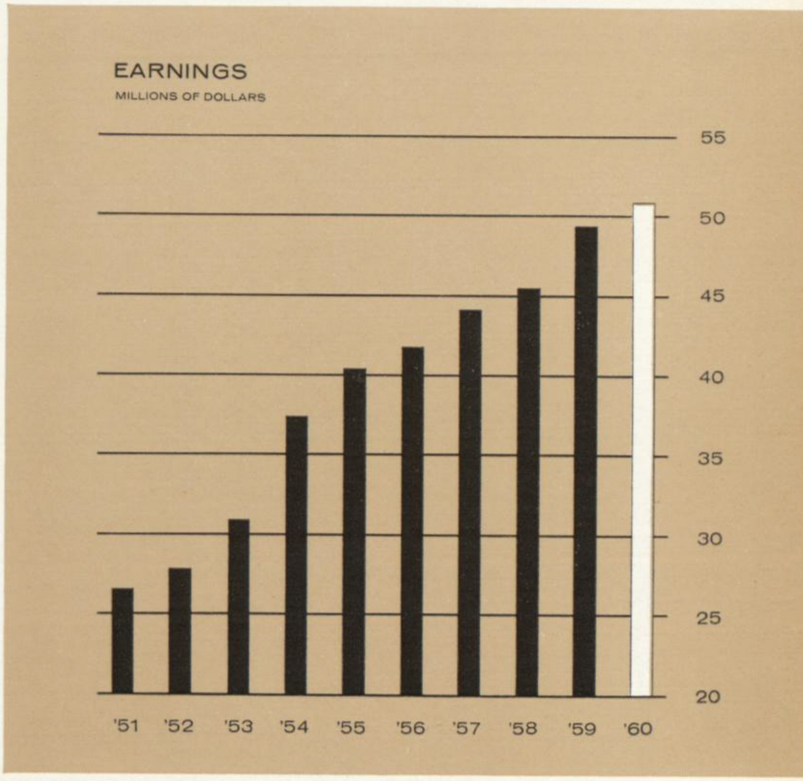
During 1960, the Company's capital expenditures were $44,425,000. As indicated in the section on operations carried elsewhere in this Report, all Divisions shared in the capital expenditures program. Late in the year, your Directors approved a budget of $59,662,000 for capital expenditures in 1961, including $5,185,000 for our foreign operations.

## BRAND RECOGNITION

The importance of brand recognition is heightened by the intensity of competition in the food industry, as thousands of products vie for shelf space and consumer favor. We are fortunate in having a wide variety of products bearing brand names which have long been household words in their markets. Yet, to maintain our competitive position we must constantly strengthen our present product franchises and build profitable new ones.

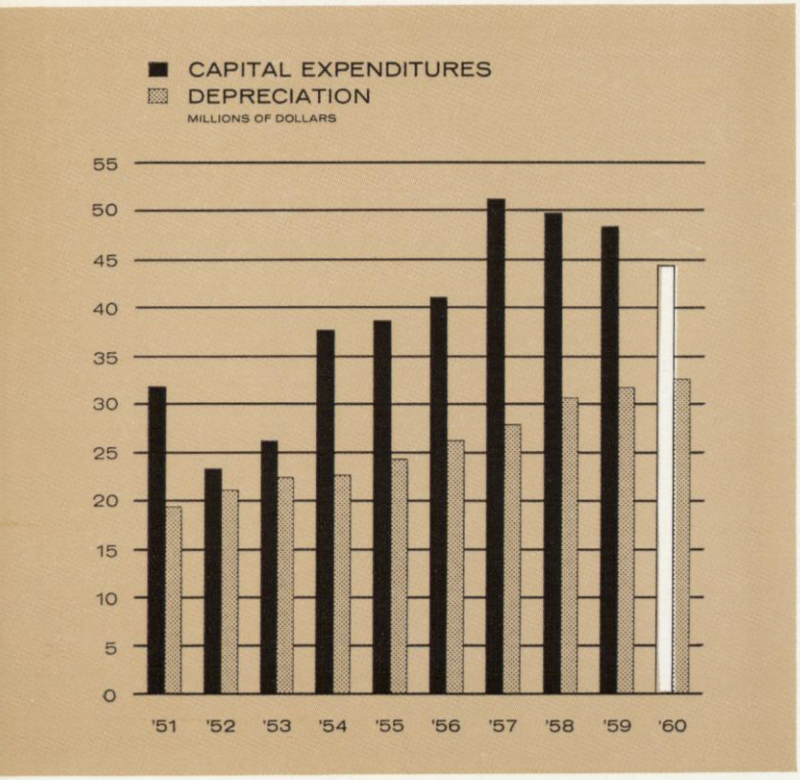
In 1960, the Company merchandised its brand-name products more extensively than at any previous time. We sold the built-in advantages of new and established products alike to every kind of food merchant, and brought many of them out in re-designed labels and packages that help them to sell themselves to shoppers.

Throughout 1960, we strove for maximum impact in the retail market, utilizing the strength of coordinated product promotion, market research and consumer services. The importance of this market is shown by the fact that U.S. consumers bought $58 billion worth of food in retail stores last year. Another $18 billion was involved in the fast-growing market for food products purchased by hotels, restaurants and other public eating places. More and more of the products bearing our familiar labels were sold in this institutional market, packed in sizes and forms appropriate to the quantity needs of such customers. Our brands also appeared in the important market for industrial products, as we supplied chemicals, milk derivatives, whey and other ingredients to manufacturers for use in their own finished products.



## PRODUCT DEVELOPMENT

The Company made substantial investments in applied research designed to develop new and improved products and utilize by-products. This development program puts us in position to take advantage of the Nation's population growth and improved living standards. Yet experience shows that business growth is not an inevitable result of these economic forces. The markets will stay with our products only to the extent that continuous research and sales development prove their advantages over competing products. Rapid changes in shopping and eating habits accentuate the need for research. For the public now expects food products that simultaneously provide high quality; save time and work; and prevent waste and spoilage. In 1960, our products continued to meet these exacting tests, due to the unified efforts of laboratory, production and engineering staffs, as well as our quality control technicians. In addition, our central laboratories carry out fundamental research designed to keep us in step with the scientific and technological advances which will shape the food products of tomorrow.



## INTERNATIONAL BUSINESS

We made solid progress last year in our international operations. Further investment in plants, equipment, and distribution facilities helped promote the development of our Kraft Foods business in Canada, Latin America, England, West Germany, Denmark, Australia and other areas, and also served to expand the export business conducted from many of these operations. Sales increased in foreign operations and provided a good rate of return.

We also prepared further for the growing opportunities and changing distribution patterns caused by emerging economic alliances in Europe. We have provided manufacturing and distributing installations to serve the participating nations in the Common Market, as well as those of the European Free Trade Association.

During the year, we instituted negotiations through our Kraft English subsidiary for the purchase of The Southern Oil Company Limited, of Manchester, England—a substantial vegetable oil refiner. For our Sealtest Foods Division, we negotiated to acquire control of Dominion Dairies Limited of Montreal and Toronto, one of the largest dairy products operations in Canada. This step marked the Company's first effort to expand into milk and ice cream markets outside the United States. Both of these transactions were consummated in early 1961.

## EMPLOYEE RELATIONS

The teamwork of the 47,943 men and women associated with National Dairy contributed materially to the Company's progress in 1960. During the year, we continued to maintain pleasant, efficient working conditions, seeking to create an environment that would encourage individual initiative and increased employee interest in the business. We also carried forward our benefit program, which includes insurance, pensions, hospital and surgical plans, and welfare plans, as well as social security and workmen's compensation insurance. In addition, we continued our long-established policy of promotion-from-within to help develop the personnel skills and management talents needed for the future. We regard our human resources as our greatest asset.

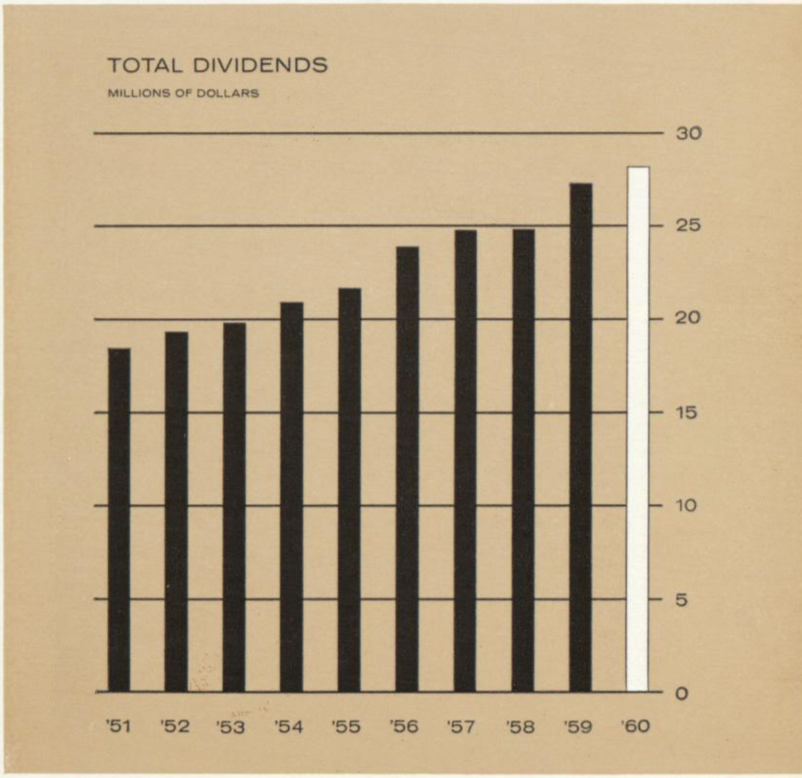
The Company's safety program, designed to prevent injury and reduce accident losses, had a successful year. The accident rate within our plants, as well as that involving our motor vehicles, decreased from the year before. These rates were well below those of the food industry as a whole, and were the lowest since the program began in 1929. The prevention of plant accidents reduces lost-time and human suffering, and effective traffic safety efforts cut down property damage and injuries in the widespread daily operation of our more than 16,000 trucks and sales cars.

## COMMUNITY RELATIONS

In doing business last year, our operations again entered into numerous transactions which channeled funds into local communities, through payment of dividends and wages, and the purchase of farm products, supplies, building materials, fuel and services. In addition, our operating officials and employees took part in community drives, and served local hospitals, schools, churches and other civic institutions. We encourage this effort on the part of Company employees, and take pride in their many activities in the public interest.

## LEGAL PROCEEDINGS

There are three proceedings still pending against the Company before the Federal Trade Commission. One alleges that a variety of business practices common in the ice cream industry constitute unfair trade practices. That proceeding was dismissed by the examiner after extended hearings and is now before the Commission on appeal. A second proceeding alleges that certain acquisitions of businesses made by the Company since 1950 violate the Anti-merger Act. Hearings are in progress in that case, with no ruling as yet by the hearing examiner. The third proceeding alleges that certain pricing, discount and trade allowance practices of the Company, which are common in the fluid milk and ice cream



industry, violate the Robinson-Patman Act. That case also continues in the hearing stage.

The indictment pending against the Company and a retired officer before the Federal District Court at Kansas City alleges violations of the anti-trust laws in connection with the sale of milk in that city and in certain outlying markets in Missouri and Kansas. A trial date has not yet been set.

We are actively defending our position in these cases, and in others which include actions usual for companies operating similar businesses as well as a number of treble damage suits filed by private litigants in which the Company is a defendant or one of several defendants. The treble damage cases include several related to the alleged anti-trust violations charged in the above-mentioned indictment.

Further comment on the significance of legal proceedings appears in the Notes to Consolidated Financial Statements, Page 23.

During the year, Raymond J. Wise retired as a Director after having served on the Board with marked distinction since 1949. Mr. Wise had a long career with the Company and made an important and lasting contribution to the progress of our milk and ice cream business. He had served as a Vice-President of the Corporation and as a Vice-President of the Sealtest Foods Division. To succeed him on the Board, our stockholders at the 1960 Annual Meeting elected Dr. C. R. Roberts, who later in the year became a Vice-President of the Corporation and President, Sealtest Foods Division.

## THE YEAR AHEAD

We expect that 1961 will be another interesting and vigorously competitive year in the food industry. We welcome the healthy competition which tends to strengthen and revitalize the American economy, and we are well-prepared to meet it. The National Dairy organization is strong, and we shall continue to support our operations with the best in production, distribution, merchandising and research facilities, as well as the best in leadership and manpower. We believe that our business will continue to grow as the Nation grows.

* * * * *

We welcome this opportunity to express our appreciation to stockholders for their continued support and interest in National Dairy and its activities, and to our employees, customers, distributors, and suppliers for the splendid cooperation which has meant so much to the Company's advancement during the past year.

By order of the Board of Directors.

J E Stewart

*Chairman of the Board*
*and Chief Executive*

J Huber Wetenhall

*President*

New York, N. Y.
March 2, 1961

*The Story of*

# THE PRINCIPAL OPERATING DIVISIONS

# *of* NATIONAL DAIRY PRODUCTS CORPORATION

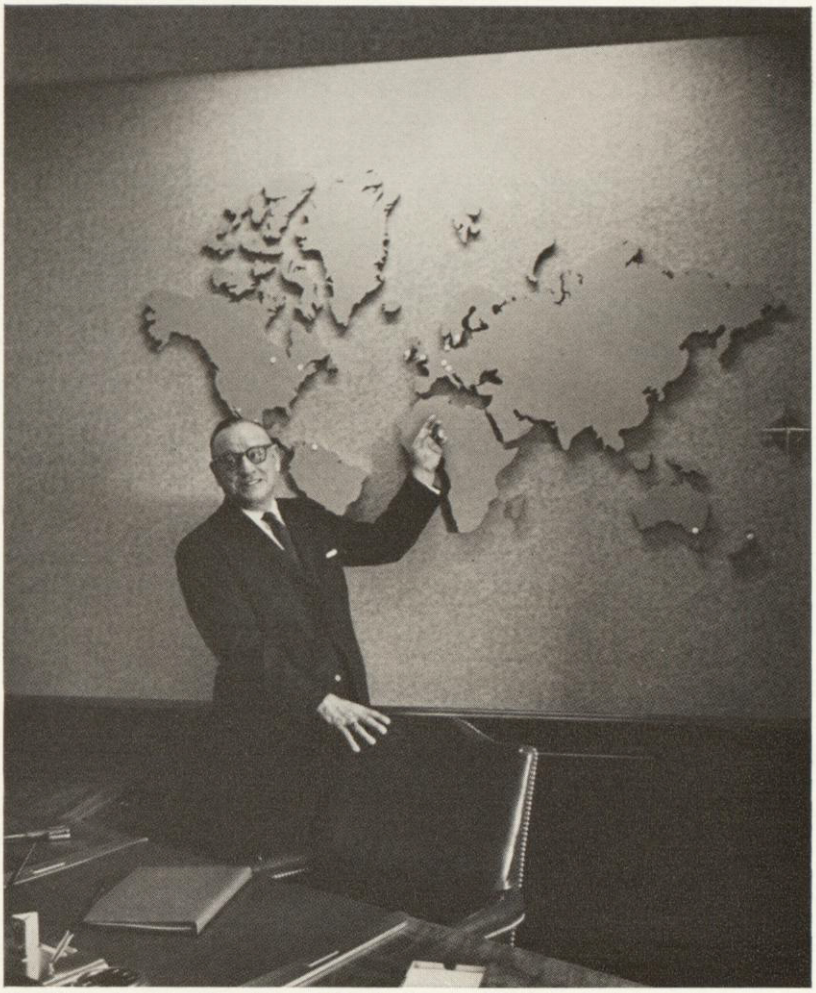
*Their Products . . . Their Markets . . . Their Facilities for Production and Distribution . . . and Some of the Significant Developments During the Past Year Which Strengthened Their Operations*

## Kraft Foods Division

*This Division, operating a network of plants and distributing branches in the United States and Canada, and in countries overseas, has diversified its lines over the years until today they cover hundreds of food products, including many varieties of cheese and cheese products, salad dressings, margarines, jellies and preserves, sandwich spreads, confections, cooking oils and shortenings, fruit salads, sauces and dessert toppings, condiments and other products. Its headquarters are in Chicago, Ill.*

During the year, this Division vigorously promoted the program to expand and further diversify its product lines. Among new consumer products introduced nationally were: Kraft Barbecue Sauce, which by the year-end had won a wide acceptance... Kraft Peanut Brittle, a newcomer to our confection line which achieved an instant response . . . Kraft Noodle with Chicken Dinner, another successful new product comprising a quick-to-prepare, packaged main dish, which took its place with the long-established Macaroni Dinner and the more recent Italian Style Spaghetti Dinner . . . and Marshmallow Creme, a topping whose delightful flavor gained immediate recognition in the marketplace.

Kraft Foods also aggressively expanded its existing product lines, constantly developing new varieties and new flavors. Three tempting new flavors of dessert toppings were added, and four new flavors were introduced into the line of salad dressings. New varieties were also added to well-established lines of cheeses and cheese spreads, and these and other products were brought out



*J. Clyde Loftis, President, Kraft Foods Division, with wall map signifying international coverage of Kraft operations.*

in convenient new sizes. Many new packaging developments were instituted during the year in various consumer lines.

New products and packages were also introduced for the hotel and restaurant trade under the Kraft label, specially-packed in large containers for the operators of dining establishments. At the same time, a number of additions and improvements were made to established restaurant lines. All of this Division's institutional products—new or existing—are designed to carry out a policy of making available foods that lend themselves to portion, cost and inventory control in the mass-feeding business.

The Kraft Foods Division also made progress in 1960 with its industrial products, which are sold in growing volume to bakers, dry mix manufacturers, frozen food processors, and the makers of ice cream and confections. Sales increased for the year in sweet dried whey, which is specially-processed to add nutriment and enhance flavor of products made by other food processors. The industrial products group also includes a line of animal and poultry milk-supplement feeds which enable farmers to produce healthier and more productive livestock.

In Kraft operations, the rising consumer demand for the diversified products of this Division required increased production facilities. An addition was started last year at the Garland, Tex. plant; and construction was well under way to provide additional capacity for dry and refrigerated storage at the Decatur, Ga. plant. We completed a large addition to our Canadian plant at Montreal to accommodate our growing business in those markets. Opened only a few years ago, this is now the largest processing plant in the Kraft operations.

To promote greater operating efficiency, Kraft Foods made numerous installations of modernized equipment at plants manufacturing various types of products. Many engineering innovations were made in the facilities for storage, handling, packaging and other production steps leading to the finished product.

The international business in Kraft products continued to grow in 1960. The Canadian operation had one of its best years, scoring gains in established product lines, and introducing a number of new products, including peanut butter, barbecue sauce, several new kinds of jellies and jams and churned honey.

Overseas, the European operations of this Division utilized their modernized facilities to take care of increased business, steadily broadening the distribution of all products. Our long-established operations in Great Britain continued to expand their activities in 1960, and at the year-end negotiations were well under way to acquire The Southern Oil Company Limited, a refiner and supplier of edible oils to our operations as well as to other British food processors. In West Germany sales increased satisfactorily with the emphasis placed upon the introduction of new products, and the further extension of distribution in Central Europe.

Sales also rose substantially in Australia, a responsive market of 10,000,000 consumers, with the addition of new products like process cheese in slices, and expansion of the present line of natural cheeses to include the Cracker Barrel brand. Kraft Spaghetti Dinner was also introduced successfully into Australia.

In view of the growing opportunities in Latin America, a new operation was started last year in Venezuela, and the business in Mexico was expanded.

This Division conducts a thriving export business, not only from the United States but also from its operations in other countries. Exports throughout the world showed marked improvement last year as Kraft expanded the distribution of its many products in the Middle East, Africa and other areas.

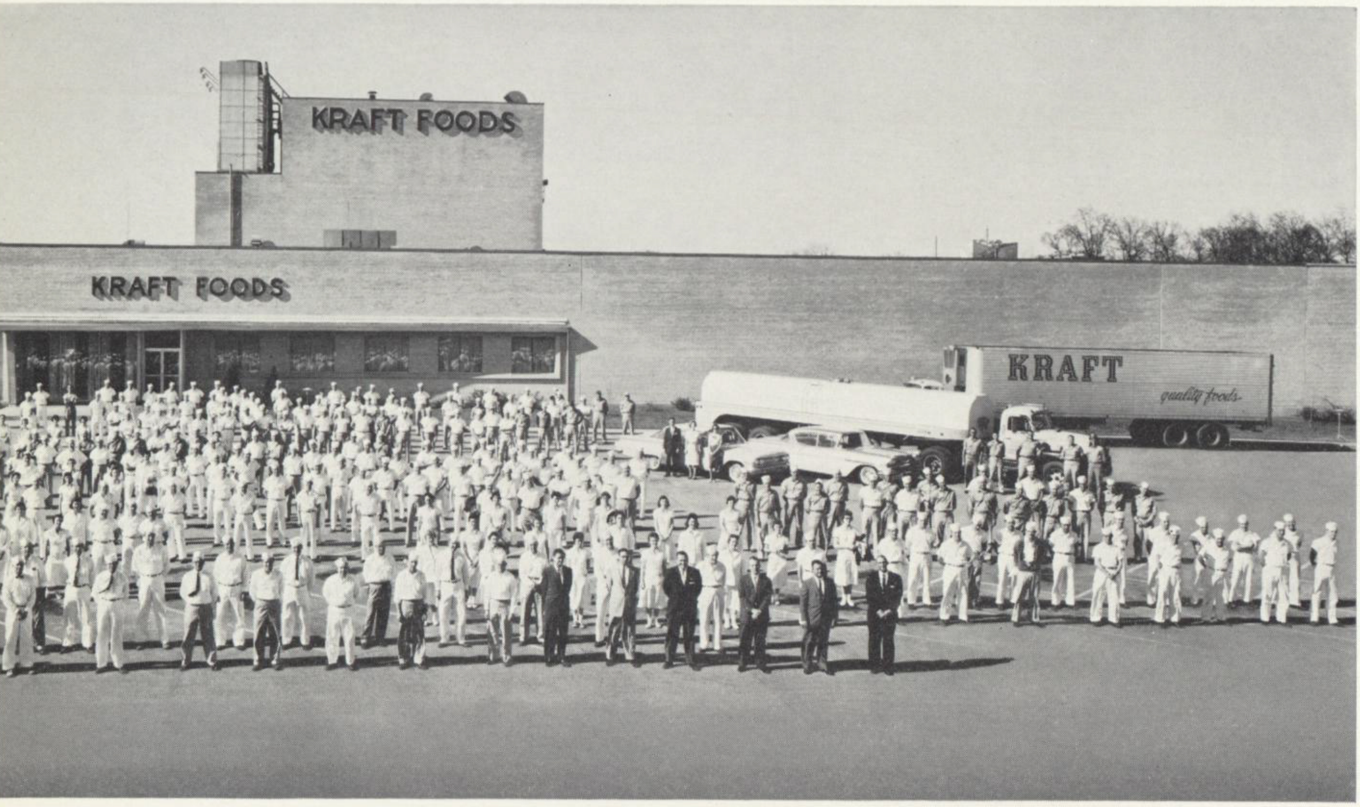
In all its markets, domestic and foreign, Kraft continued to stress its highly successful merchandising theme of "good food and good food ideas."

*Below: This photograph taken at Springfield, Mo., typifies the manpower, the plant facility and the kind of rolling stock required for a Kraft operation.*

*Kraft caramels flow from the production line in the Kendallville, Ind. plant, one of our principal confection operations.*

KRAFT Tomaten Ketchup
FRISCH-DIENST
die köstliche Speisenzutat

*A delivery truck of our German operations passes the Air Lift Memorial, a familiar landmark in West Berlin.*


KRAFT FOODS
KRAFT FOODS
KRAFT
quality foods

## Sealtest Foods Division

*This Division operates the Company's milk and ice cream business. It distributes fluid milk, cream, buttermilk, chocolate milk, skim milk, cottage cheese, butter, ice cream, orange juice and other products in markets ranging from the Rocky Mountains to the Atlantic Coast. Sealtest products are made available to the homes, stores, and restaurants of most communities within these areas. This Division also includes the Breyer Ice Cream business in the Middle Atlantic states. Division headquarters are in New York City.*

Sealtest
ICE CREAM

*Dr. C. R. Roberts (right), President, Sealtest Foods Division, and his predecessor P. P. Miller, now retired, pictured at last year's opening of the new Sealtest milk and ice cream plant at Denver, Colo.*

During 1960, this Division broadened the base of the famous Sealtest brands by the continued expansion of production and sales facilities; by utilizing the best in modern equipment and technology; and by increasing the scope of its distribution areas.

Progress during the year in these operations continued to be firmly based on the well-established Sealtest reputation for the highest quality in dairy products. Each processing plant with its own quality control laboratory continued to uphold this reputation, and thereby further strengthened the brand loyalty.

The stability in dairy products is enhanced by the fact that they are essential foods of high per capita use in an era of expanding population. Americans each year consume billions of pounds of milk, ice cream, cottage cheese and other dairy products for which they pay over one-fifth of their food dollar. In this growing market, Sealtest Foods—confident of brand superiority—maintained a position of leadership.

At the end of the year, this Division prepared to enter the great Canadian market as our negotiations to acquire control of Dominion Dairies Limited neared completion. Dominion Dairies serves the Montreal metropolitan area in Quebec Province and numerous cities in Ontario Province, including Toronto, Ottawa, London and Hamilton, with a broad line of dairy products. Dominion Dairies will operate as a part of the Sealtest Foods Division. Side-by-side with Dominion products, the Sealtest brand is already being introduced into these Canadian markets.

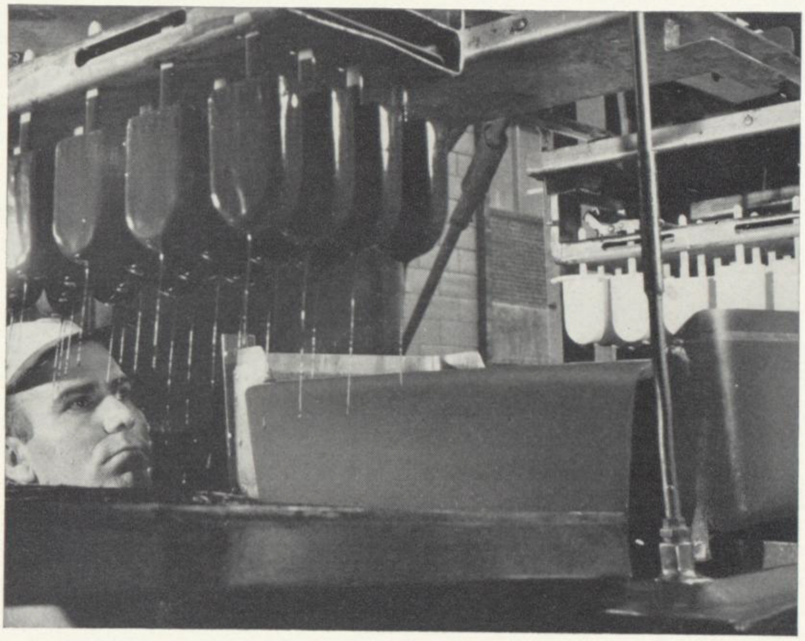
As part of its domestic expansion program, Sealtest Foods continued during 1960 to fill in its market coverage by the establishment of distributorships, and also increased the distribution of its ice cream brands by shipping from Florida into Puerto Rico and the Virgin Islands.

A number of new Sealtest facilities were completed last year, expanding the services of this Division in various sections of the country. A new milk and ice cream plant was opened at Denver, Colo.; a combination milk plant and ice cream distributing branch went into operation at Kansas City, Mo., and construction began on similar facilities at Florence, S. C. Work also started on a distribution branch for milk and ice cream at Grand Rapids, Mich., and on a milk branch at Paoli, Pa.

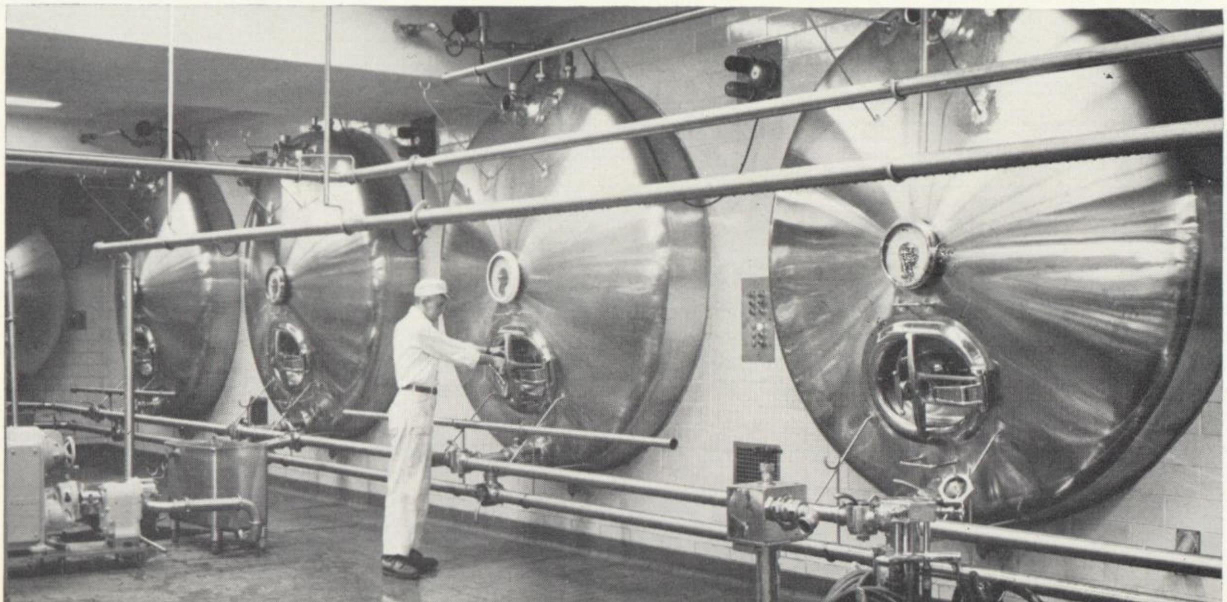
The Company's basic principle of developing products which fit into existing lines and distribution patterns is demonstrated by Sealtest Foods. This Division during

*Cherry Nugget—a perennial favorite in Sealtest's ice cream flavor program—is shown on the filling line, as a divisional inspector makes one of the regular check-ups which take place during production.*

*A dipping operation for chocolate-coated ice cream bars at a Sealtest plant in Philadelphia.*



*Below: Refrigerated tanks in a modern Sealtest plant, where thousands of pounds of milk are held each day before being pasteurized, homogenized and bottled.*



1960 featured many continuing projects for the improvement of processes and packaging, as well as the introduction of new varieties and new flavors into established lines—such as the Orange Pineapple Royale and Western Caramel Almond which joined the special flavors of Sealtest Ice Cream. New varieties introduced during the year, like Onion Chive and Celery Pepper Salad, also stimulated the sale of Sealtest Cottage Cheese.

At the beginning of the year, we started the production of Sealtest Orange Juice in our own new processing plant as a part of our citrus business at Lakeland, Fla., which is operated by Kraft. This orange juice is distributed through our milk operations in virtually all Sealtest markets. By maintaining this modern, highly efficient processing facility, we are able to completely control the quality of our orange juice, and arrange its distribution so as to deliver it fresh and delicious to Sealtest customers.

*One of the many steps in quality control is indicated by this scene in the Montreal plant of Dominion Dairies Limited, our new Canadian milk and ice cream business, which is a part of Sealtest Foods.*

This Division continued to be responsive to the changes in consumer food habits intensified by growing public knowledge of nutrition and diet. Sealtest brands of skim milk and cottage cheese, which are low in calories, have long been leaders in their fields. In a further effort to reach the calorie-conscious, we entered the special dietary product market last November with the new Sealtest 900 Calorie Diet for weight control. This is a highly concentrated, completely balanced food, rich in milk proteins, vitamins, minerals and other nutrients essential to health. A liquid food, ready to pour and drink, Sealtest 900 Calorie Diet is offered in three flavors. Our own formula for the product was developed in the Company's research laboratory, and the ingredients to provide the complete nutritional balance are supplied to the Sealtest milk operations by our own plant which produces milk derivatives.

There were a number of developments in our Sheffield Chemical operation, which is a part of Sealtest Foods. Sheffield Chemical produces milk proteins and milk sugar for many food processors and makers of pharmaceuticals. Milk proteins are finding numerous uses in industry for increasing the nutrient levels in products ranging from baked goods to dietetic foods. Milk sugar is used to coat fruits, to produce lactic acid in food products, and as an ingredient for baking mixtures and confections.

Thus, the year in our milk and ice cream business brought a stronger organization, new facilities, improved products, and broader markets for the Sealtest Foods Division.

## Breakstone Foods Division

*This Division is one of the oldest and largest makers and distributors of cottage cheese, cream cheese and other soft cheeses; sour cream, yogurt, whipped butter and other specialties. Breakstone serves the populous markets of the Eastern seaboard with these products. Its headquarters are in New York City.*

The Breakstone brand of dairy products, familiar to Easterners for 78 years, continued to find new friends and customers in 1960. Through advanced techniques in merchandising and distribution, this Division made new penetrations in its markets and intensified its coverage of the great metropolitan centers of the Atlantic states.

The growing business of the Breakstone Foods Division is built upon a reputation for dairy specialties which are superior in richness, flavor and texture; modern in packaging, and convenient to use. Breakstone built this reputation on a long tradition of pioneering in the development of soft cheeses, quality butter and cultured dairy products. Many of its specialties have grown into major product lines, such as Breakstone's Cottage Cheese which is offered in a number of different curd types, some of which are flavored, such as the new pineapple cottage cheese. Then there is Breakstone's Cream Cheese—long a well-known line—which now includes the fast-growing Temp-Tee brand. This new product, introduced within the last year and a half, is a whipped cream cheese with improved spreadability and superb flavor and, for these reasons, it has had an outstanding acceptance with housewives. Another important product line of this Division is the popular Breakstone's Yogurt, a cultured milk product recognized for many years as a health food, and now in growing demand. Last year, Breakstone met this need with several new and exciting flavors of yogurt.

Breakstone processing plants are located in abundant dairy areas near major traffic arteries. The products of this Division are carried over-the-road from these plants day-and-night in giant, refrigerated trailer-trucks capable of transporting at least 30,000 pounds of perishable merchandise under controlled temperatures. These trucks serve Breakstone branches in major cities in its markets, as well as distributors in other Eastern and South Atlantic regions.

*L. M. Becker, President of Breakstone Foods Division, standing beside one of the huge refrigerated trucks which transport dairy specialties, round-the-clock, into East Coast markets.*

Breakstone's
NO RIDERS

HUMKO PRODUCTS
CHEMICAL DIVISION

*Herbert Humphreys (right), Chairman, and Sam Cooper, President of the Humko Products Division, before the chemical plant which is one of its operations in Memphis, Tenn.*

## Humko Products Division

*This Division has produced edible oils and shortenings for consumers and food processors for 30 years, and industrial chemicals derived from fats for the last 12 years. Its plants are located near the principal cottonseed and soybean growing areas. Its headquarters are at Memphis, Tenn.*

During 1960, the Humko Products Division, which maintains both food and chemical operations, strengthened its position as a manufacturer of edible oils, shortening and industrial fatty acids. Operating from two large, modern refineries at Memphis, Tenn. and Champaign, Ill., this Division expanded the acceptance of its products by concentrating upon a program to adapt them specifically to the end uses of its many types of customers.

Humko shortening and oils are produced in both household packages and commercial containers. For the household market, these products are sold under Humko's own brands, as well as a wide variety of brands for leading food chain stores and wholesale grocers. For commercial usage, these products are supplied to manufacturers of such products as margarine, salad dressings, prepared mixes, potato chips, candies and popcorn. Thus, food products which are made in whole or part from Humko's output may be found in groceries and supermarkets in every section of the country.

The chemical operation of Humko Products—in which fatty acids are manufactured—grew at an accelerating pace in 1960, with a sales staff of technically-trained men covering the continental United States.

As production facilities increased, new chemical products have been added until this division now has a full line of commercial fatty acids sold under the "Hystrene" and "Industrene" trademarks. These products, known for their high quality and purity, are used by chemical companies and many industrial concerns, including the makers of soaps, plastics, rubber, lubricating grease, paints and varnishes, crayons, candles, cosmetics, emulsifiers, waxes and polishes, buffing and wire-drawing compounds.

By continuing research and development, Humko Products expects to broaden its line of chemical derivatives, and to discover new products which will be of use to American industry.

## Metro Glass Division

*This Division is a manufacturer of glass containers which are used not only in our own business, but also by numerous other companies in the food, beverage, chemical, drug, cosmetic and household products industries. Metro operates four plants in the metropolitan areas of New York, Pittsburgh and Chicago. Its headquarters are at Jersey City, N. J.*

The Metro Glass Division moved its sales into higher ground in 1960, as the use of glass containers by American manufacturers continued its steady rise. This Division concentrated upon increasing the capacity of its operations, installing additional equipment, and developing special mechanized techniques to meet new trends in the market for glass-packed commodities.

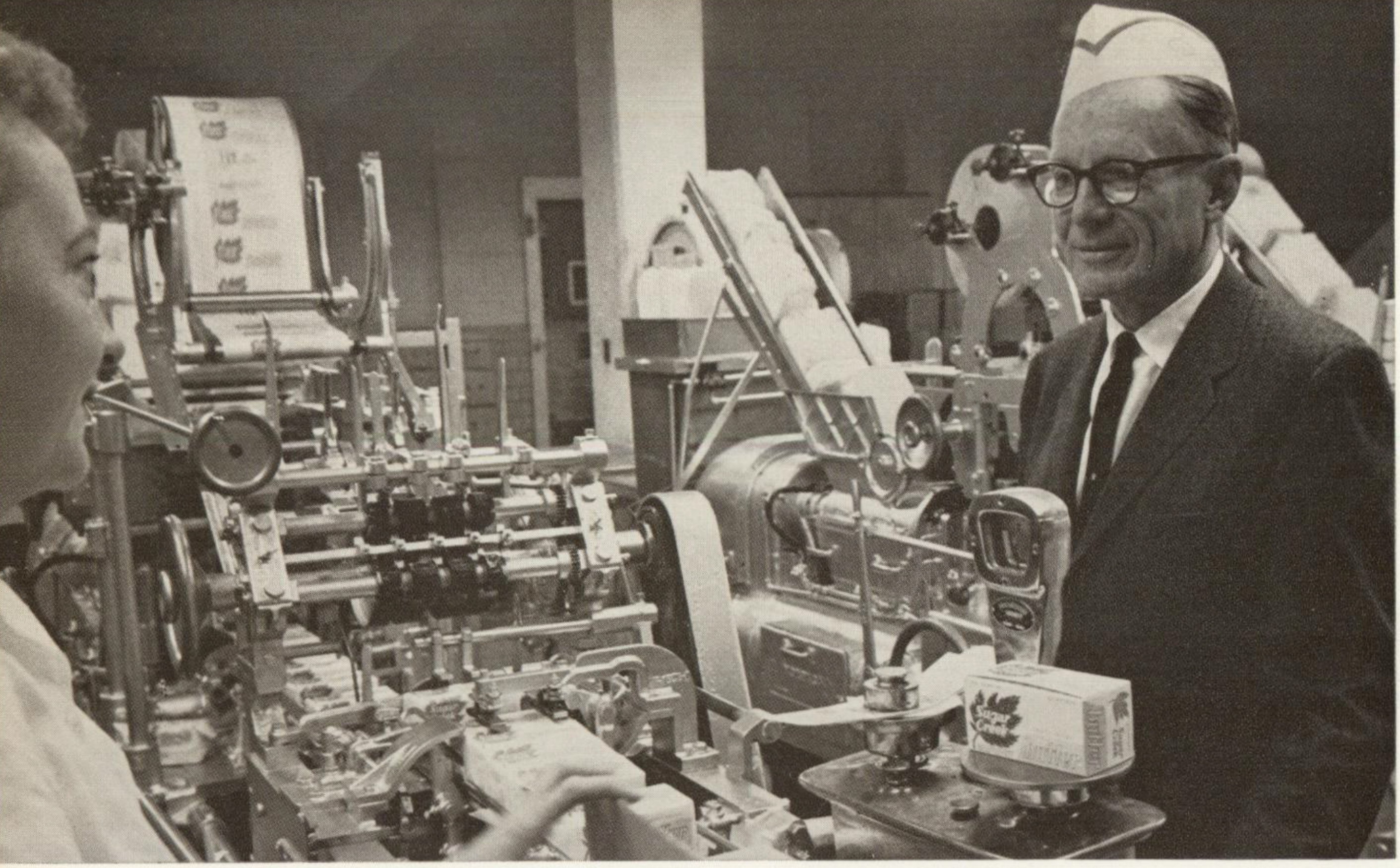
Metro Glass marked its 25th year of operation by completing and starting up its new glass plant at Carteret, N. J. One of the most modern glass container operations in the country, this plant supplements the existing manufacturing facilities at Jersey City in expanding service to a large segment of the Eastern seaboard.

In addition, two new furnaces were under construction last year in the Metro Glass plant near Chicago. These enlarged and improved production facilities, combined with additions previously made at Metro's plant near Pittsburgh, greatly increase the output and variety of glass containers this Division produces for its many industrial customers. Another important step during the year was the expansion of Metro's production of amber containers, making it a larger supplier to the brewing, distilled spirits and chemical industries.

Metro has played an important role in the technology of the glass industry which, though age-old, has made its greatest strides in this century. Modern advances in the processing of foods and other glass-packed products have been paced by major technical developments in furnace and machine operation, annealing, materials handling and other steps in glass container manufacture. Today, these containers are produced in every color, shape and size by automatic equipment. Total shipments of the industry in the United States run over 21 billion glass containers a year.

In its expanded sales activities last year, Metro emphasized the favorable characteristics of glass bottles and jars. Merchandising themes told customers that glass containers are economical, durable, air-tight and moisture-proof. Manufacturers were reminded that glass containers keep their products fresh, present them attractively and let shoppers see the quality they buy.

*E. M. Terner, President, Metro Glass Division, discusses production problems with the superintendent of the new glass container plant opened last year by Metro in Northern New Jersey.*



*L. P. McCoun, President, Sugar Creek Creamery Division, wears the familiar employees' cap as he inspects our St. Paul, Minn. plant where butter is packaged under many well-known labels.*

## Sugar Creek Creamery Division

*This Division is an important producer of high quality butter. At plants throughout the dairy section of the Middle West, Sugar Creek Creamery churns and packages butter which is distributed from coast to coast. Its headquarters are in Chicago.*

The Sugar Creek Creamery Division achieved greater sales in 1960, maintaining its prominent role in the Nation's butter industry. The organization was strengthened both in operations and sales, which resulted in increased efficiency and expanded service to customers.

Sugar Creek is in the market with its own brands, and also serves as a supplier of Sealtest premium butter to our milk operations, as well as packing for other types of distributors. Hence, the butter churned and packaged by this Division enters many distribution channels and is sold across the country under a wide variety of familiar brand names.

During 1960, the Sugar Creek Creamery Division continued to operate successfully in a market of major proportions. Butter is a staple in the diet of Americans, who consume it at a yearly average rate of about eight pounds per person. Next to fluid milk itself, butter represents the second most important use of the Nation's milk supply, accounting for nearly one-fourth of the total output.

During the year, a new Whipped Sweet Cream Butter was perfected through the joint effort of Sugar Creek and our Research and Development Division. Whipped butter is appealing to housewives because it goes further, provides fewer calories per serving, is easier to spread and mellower in taste. It is produced in stick form, but since it is whipped, there are three full-sized, foil-wrapped sticks to each eight-ounce package instead of the usual two. At the same time, Sugar Creek provided its Honey Butter, a product particularly adapted for use as a spread or on pancakes, muffins and French toast.

The new butter churning and packaging plant at Indianapolis, Ind. went into full operation during the year, while improvements were made in equipment and processing methods in others of the many plants which are operated by this Division.

These 1960 achievements are in the tradition of Sugar Creek Creamery, which has been providing a cash market for dairy farmers and furnishing butter to distributors in this country for over forty years.

## Research and Development Division

*This Division conducts the Company's research activities. It carries out our fundamental and applied research, and works with the operating Divisions in the development of new and improved products and processes and the efficient use of by-products. Its headquarters are at Glenview, Ill.*

An important step toward insuring growth was taken in 1960 as our new laboratory building near Chicago was completed and occupied by the Research and Development Division.

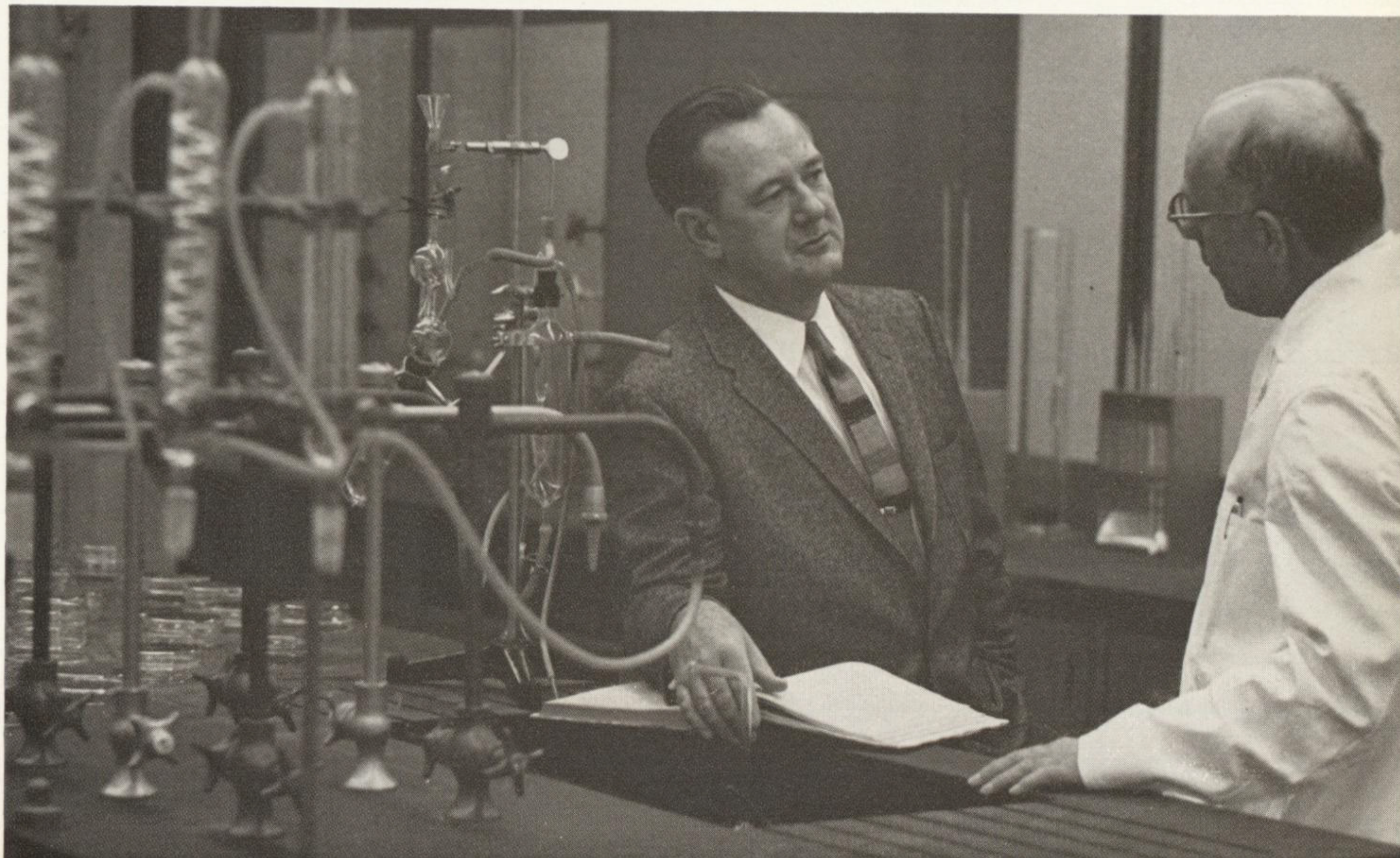
All of our research laboratories are now housed in this facility, and they cover many important scientific and technical areas. Adjacent buildings, now being completed, house pilot plants with experimental production equipment and special facilities for complex chemical and bacteriological research. This research center—which also operates an experimental farm at Danville, Ill. to support our animal feeds program—will be formally opened in the spring of 1961.

These combined facilities make our entire resources in food science and technology immediately available to all operating Divisions. A close working relationship with operations is maintained by staffs of research specialists in various fields—such as food scientists, packaging specialists, and technologists in fats and oils—who have continuous contact with the managerial and technical personnel of the Divisions which operate in these fields.

Through this efficient organization, we carry on a program of fundamental research to explore the frontiers of nutrition and food science, and at the same time conduct applied research to improve processing techniques and originate ideas for future products.

In 1960 alone, this program resulted in the introduction of many new and improved products deriving from activities between this Division and our other operating groups. Examples of the wide range of these activities include: development of new processing methods which often involve improvements in the design and construction of special equipment . . . continuing studies to enhance the flavor and nutritive values of many of our diversified and growing product lines . . . experimentation to create new products for our chemical operations, in the fields of both fatty acids and milk derivatives . . . projects to improve present packaging and originate packaging ideas for new and improved products . . . and continuous effort to develop new formulas and expanded uses for our manufactured edible products, animal feeds and industrial products.

*C. W. Kaufman (left), Director, Research and Development Division, confers with a scientist on one of the many interesting problems being studied in our laboratory near Chicago.*



# CONSOLIDATED BALANCE SHEETS

## ASSETS

| | December 31<br>1960 | 1959 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 34,060,462 | $ 38,719,089 |
| U. S. Government and other short-term securities at cost, not in excess of market | 9,236,869 | 23,779,312 |
| Notes and accounts receivable, less reserve | 87,997,660 | 78,710,223 |
| Inventories, at lower of average cost or market— | | |
| Products and materials (See note) | 204,945,701 | 174,436,004 |
| Supplies | 19,641,347 | 19,776,645 |
| *Total Current Assets* | $355,882,039 | $335,421,273 |
| MISCELLANEOUS INVESTMENTS, DEPOSITS AND RECEIVABLES (Less reserves) | $ 5,402,502 | $ 4,996,719 |
| PROPERTY, PLANT & EQUIPMENT (Stated substantially at cost): | | |
| Land | $ 19,025,364 | $ 18,273,161 |
| Buildings | 185,802,436 | 179,293,743 |
| Machinery and equipment | 337,478,772 | 324,118,692 |
| | $542,306,572 | $521,685,596 |
| Less—Reserve for depreciation | 244,203,957 | 231,443,280 |
| | $298,102,615 | $290,242,316 |
| PREPAID AND DEFERRED ITEMS | $ 3,384,052 | $ 3,850,436 |
| INTANGIBLES | $ 7,571,706 | $ 7,571,706 |
| | $670,342,914 | $642,082,450 |

*(See Notes to Consolidated Financial Statements, pages 22, 23, and 24.)*

# CONSOLIDATED BALANCE SHEETS

## LIABILITIES

|  | December 31 |  |
|---|---|---|
|  | 1960 | 1959 |
| CURRENT LIABILITIES: |  |  |
| Accounts payable and accrued liabilities | $112,826,495 | $107,261,084 |
| Provision for Federal and foreign taxes on income | 32,166,765 | 32,579,252 |
| Sinking fund requirements and Note due within one year, less long-term debt held in treasury ($2,157,164 in 1960 and $2,510,000 in 1959) | 1,644,836 | 1,152,000 |
| *Total Current Liabilities* | $146,638,096 | $140,992,336 |
| LONG-TERM DEBT (See note) | $ 84,178,000 | $ 87,885,825 |
| DEFERRED FEDERAL AND FOREIGN TAXES ON INCOME | $ 8,467,712 | $ 6,384,614 |
| RESERVES FOR INSURANCE, ETC. | $ 3,033,097 | $ 2,964,618 |
| CONTINGENT LIABILITIES (See note) |  |  |
| CAPITAL STOCK AND SURPLUS: |  |  |
| Common stock, $5 par value (authorized 16,000,000 shares; issued and outstanding 14,112,213 shares at December 31, 1960 and 14,057,737 shares at December 31, 1959) | $ 70,561,065 | $ 70,288,685 |
| Capital surplus, per statement attached | 25,647,394 | 24,239,108 |
| Earned surplus, per statement attached | 331,817,550 | 309,327,264 |
|  | $428,026,009 | $403,855,057 |
|  | $670,342,914 | $642,082,450 |

*(See Notes to Consolidated Financial Statements, pages 22, 23, and 24.)*

## STATEMENTS OF CONSOLIDATED PROFIT AND LOSS

| | *Year ended December 31* | |
|---|---|---|
| INCOME: | 1960 | 1959 |
| Net sales | $1,667,176,223 | $1,605,724,922 |
| Other income | 5,899,813 | 6,322,344 |
| Total | $1,673,076,036 | $1,612,047,266 |
| INCOME DEDUCTIONS: | | |
| Cost of products | $1,235,330,830 | $1,188,277,100 |
| Delivery expense | 158,835,529 | 158,538,517 |
| Selling expense | 117,292,497 | 109,494,144 |
| General and administrative expense | 54,501,689 | 52,482,888 |
| Miscellaneous charges—net | 2,431,590 | 1,989,297 |
| Interest on long-term debt | 2,736,641 | 2,803,236 |
| Provision for Federal and foreign taxes on income | 51,280,000 | 49,100,000 |
| Total | $1,622,408,776 | $1,562,685,182 |
| NET PROFIT FOR THE YEAR | $ 50,667,260 | $ 49,362,084 |

*The provision for depreciation charged to costs and expenses amounted in 1960 to $32,771,283 and in 1959 to $31,788,268.*
*(See Notes to Consolidated Financial Statements, pages 22, 23, and 24.)*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS . . . *December 31, 1960*

### EMPLOYEES' STOCK OPTION PLAN

Under the Employees' Stock Option Plan approved in 1952 and amended in 1958, there were 596,844 shares of the authorized and unissued common stock of the Company reserved at December 31, 1960, for sale to officers and other key employees. At that date 1,672 employees held options to purchase a total of 491,374 shares at prices ranging from $25.975 to $61.50 per share, with an aggregate purchase price of $19,910,361, and 105,470 shares remained available for future grants. All options become exercisable in cumulative periodic installments extending over the terms of such options (generally ten years or to earlier retirement date), commencing not earlier than one year from date of grant. Options became exercisable during 1960 with respect to 69,755 shares having an aggregate purchase price of $2,436,729. On October 6, 1960, options were granted to purchase 2,000 shares at $58.625 per share and on November 3, 1960, options were granted to purchase 58,340 shares at $61.50 per share. During the year 54,456 shares were issued under the Plan and the proceeds of $1,679,674 were credited to the common stock and capital surplus accounts.

### INCENTIVE COMPENSATION PLANS

Under year-to-year Incentive Compensation Plans of the domestic and foreign divisions, key employees received approximately $5,577,000 for 1960 and $4,944,000 for 1959. In 1960 these plans covered 2,628 employees, none of whom received more than 1% of the total. No executive officer or director of the Company participated in these plans.

## STATEMENTS OF CONSOLIDATED SURPLUS

| | *Year ended December 31, 1960* | |
|---|---|---|
| | Earned Surplus | Capital Surplus |
| Balance at beginning of year | $309,327,264 | $24,239,108 |
| Net profit for the year | 50,667,260 | — |
| Excess of consideration received over par value of shares issued | — | 1,408,286 |
| | $359,994,524 | $25,647,394 |
| Dividends on common stock—$2.00 per share | 28,176,974 | — |
| Balance at end of year | $331,817,550 | $25,647,394 |

*(See Notes to Consolidated Financial Statements, pages 22, 23, and 24.)*

### COMPTROLLER'S CERTIFICATE

*The foregoing financial statements have been prepared under my direction from the companies' books kept under my supervision and, to the best of my knowledge and belief, fairly state the consolidated position of National Dairy Products Corporation and domestic and foreign subsidiary companies as of December 31, 1960 and the consolidated operations for the year ended on that date.*

New York, N. Y., March 2, 1961.

A Boag Jr.
*Comptroller*

### COMPANY PENSION PLANS

Charges to costs and expenses with respect to Pension Plans of the Company and its domestic and foreign subsidiaries amounted to $7,535,000 in 1960 and $7,553,000 in 1959. The unfunded past service cost of the Company's Pension Plans for those of the eligible employees presently covered is estimated to be $29,225,000 at December 31, 1960, which is presently being funded in installments to 1981. The Company also makes contributions to pension plans of certain unions representing its employees who have elected not to participate in the Company plans.

### INVENTORIES

Inventories of products and materials shown at December 31, 1960 have been written down in the approximate amount of $1,725,000 in order to give proper recognition to the effect on such inventories of the decline in the market price of cheese on January 27, 1961.

### CONTINGENT LIABILITIES

The Company is defendant in various legal proceedings in which substantial amounts are involved. It is not feasible to predict or determine the outcome of these proceedings, the adjustments in operations which adverse decisions might require or the ultimate liabilities, if any, which might result. No provision has been made in the accompanying financial statements in respect of such contingencies.

(*Continued on next page*)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.. *Dec. 31, 1960 (cont'd)*

## LONG-TERM DEBT AND EARNED SURPLUS

| | *December 31* | |
|---|---|---|
| | 1960 | 1959 |
| *National Dairy Products Corporation* | | |
| 2¾% Debentures due 1970 | $33,000,000 | $34,500,000 |
| 3% Debentures due 1970 | 20,100,000 | 21,300,000 |
| 3⅛% Debentures due 1976 | 25,200,000 | 25,673,000 |
| 3⅛% Notes due $250,000 annually in Canadian funds | 250,000 | 500,000 |
| *Foreign subsidiaries (stated at U. S. dollar equivalent)* | | |
| 5% Debentures due 1975 of English subsidiary (Annual prepayments $140,000 commencing in 1961) | 4,060,000 | 4,200,000 |
| 5% Mortgage Debentures due 1968 of Australian subsidiary (Minimum annual sinking fund requirements—$112,000) | 1,568,000 | 1,712,825 |
| Totals per Consolidated Balance Sheets | $84,178,000 | $87,885,825 |

The above tabulation excludes current sinking fund requirements and maturities shown in current liabilities and is after deducting in certain cases the excess of debentures held in treasury over current sinking fund requirements.

The 2¾%, 3% and 3⅛% debentures of the Company also require that certain minimum amounts of debentures of each series be retired each year through the operation of a sinking fund. Aggregate minimum annual sinking fund requirements of these issues for 1961, and each of the succeeding three years, are $3,300,000.

The Indentures under which the debentures of the Company are outstanding contain certain provisions with respect to the payment of dividends on capital stock. Under these provisions, $50,500,000 of consolidated earned surplus was not available for cash dividends at December 31, 1960.

## AUDITORS' CERTIFICATE

To The Board of Directors and Stockholders of National Dairy Products Corporation:

We have examined the consolidated balance sheet of National Dairy Products Corporation (a Delaware corporation) and domestic and foreign subsidiary companies as of December 31, 1960, and the related statements of consolidated profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the year 1959.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated profit and loss and surplus present fairly the financial position of National Dairy Products Corporation and domestic and foreign subsidiary companies as of December 31, 1960, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 2, 1961.

Arthur Andersen & Co.

## FOREIGN SUBSIDIARIES OTHER THAN CANADIAN

### COMBINED CONDENSED BALANCE SHEETS

| | December 31<br>1960 | <br>1959 |
|---|---|---|
| Current assets | $ 36,993,590 | $ 32,478,519 |
| Property, plant and equipment, less reserve for depreciation | 24,299,167 | 23,666,210 |
| Prepaid and deferred items, investments, etc. | 394,729 | 423,553 |
| | $ 61,687,486 | $ 56,568,282 |
| Current liabilities | $ 18,133,396 | $ 17,218,972 |
| Long-term debt. | 5,628,000 | 5,912,825 |
| Reserves for insurance, etc. | 1,418,601 | 1,369,603 |
| | $ 25,179,997 | $ 24,501,400 |
| Net tangible assets | $ 36,507,489 | $ 32,066,882 |

### COMBINED CONDENSED STATEMENTS OF PROFIT AND LOSS

| | Year ended December 31<br>1960 | <br>1959 |
|---|---|---|
| Income: | | |
| Net sales | $120,233,888 | $112,545,575 |
| Other income | 504,545 | 391,611 |
| Total | $120,738,433 | $112,937,186 |
| Income deductions: | | |
| Cost of products | $ 91,832,384 | $ 88,259,246 |
| Delivery, selling, general and administrative expenses | 17,949,481 | 17,161,267 |
| Interest on long-term debt | 302,436 | 308,253 |
| Provision for taxes on income | 4,775,567 | 2,965,879 |
| Total | $114,859,868 | $108,694,645 |
| Net profit | $ 5,878,565 | $ 4,242,541 |
| Dividends received by Company | $ 1,432,094 | $ 2,195,942 |

*Current assets and current liabilities are translated at the rates of exchange prevailing at the end of each year. All other assets and liabilities are translated generally at the rates prevailing at the time the assets were acquired or the liabilities incurred. The effect of fluctuations in exchange rates is reflected in profit and loss.*

# NATIONAL DAIRY PRODUCTS CORPORATION
## AND DOMESTIC AND FOREIGN SUBSIDIARY COMPANIES*

### CONDENSED TEN-YEAR STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES

*(All amounts are expressed in thousands)*

| WORKING CAPITAL | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 |
|---|---|---|---|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | | | | | |
| Cash and marketable securities | $ 43,297 | $ 62,498 | $ 61,936 | $ 73,253 | $ 73,470 | $ 94,386 | $115,719 | $131,711 | $ 81,378 | $ 81,306 |
| Notes and accounts receivable (net) | 87,998 | 78,710 | 76,456 | 65,841 | 65,948 | 55,613 | 49,231 | 50,733 | 50,534 | 46,735 |
| Inventories | 224,587 | 194,213 | 181,584 | 146,417 | 150,135 | 135,488 | 111,912 | 107,306 | 136,865 | 122,750 |
| Total Current Assets | $355,882 | $335,421 | $319,976 | $285,511 | $289,553 | $285,487 | $276,862 | $289,750 | $268,777 | $250,791 |
| CURRENT LIABILITIES | | | | | | | | | | |
| Accounts payable and accruals | $112,826 | $107,261 | $ 98,141 | $ 90,168 | $ 84,904 | $ 75,305 | $ 72,079 | $ 58,281 | $ 54,402 | $ 54,143 |
| Federal and foreign taxes on income | 32,167 | 32,579 | 32,433 | 24,968 | 28,897 | 38,617 | 36,334 | 49,729 | 42,777 | 39,479 |
| Sinking fund requirements and Note due within one year, less long-term debt held in treasury | 1,645 | 1,152 | 882 | 3,247 | 2,918 | 2,180 | 1,750 | 1,415 | 1,850 | 1,850 |
| Total Current Liabilities | $146,638 | $140,992 | $131,456 | $118,383 | $116,719 | $116,102 | $110,163 | $109,425 | $ 99,029 | $ 95,472 |
| **Working Capital** | $209,244 | $194,429 | $188,520 | $167,128 | $172,834 | $169,385 | $166,699 | $180,325 | $169,748 | $155,319 |
| PROPERTY, PLANT & EQUIPMENT—NET | 298,103 | 290,242 | 276,815 | 239,676 | 221,117 | 205,528 | 191,490 | 176,384 | 174,528 | 172,699 |
| INVESTMENTS, OTHER ASSETS AND PREPAID ITEMS** | 8,786 | 8,847 | 7,334 | 22,066 | 17,094 | 12,502 | 11,510 | 7,946 | 7,740 | 6,188 |
| Total | $516,133 | $493,518 | $472,669 | $428,870 | $411,045 | $387,415 | $369,699 | $364,655 | $352,016 | $334,206 |
| LONG-TERM DEBT | $ 84,178 | $ 87,886 | $ 91,673 | $ 88,900 | $ 92,150 | $ 95,400 | $ 98,650 | $101,400 | $103,850 | $105,700 |
| RESERVES, ETC. | 11,501 | 9,349 | 12,333 | 4,744 | 3,892 | 2,704 | 2,631 | 14,398 | 13,162 | 11,842 |
| Total | $ 95,679 | $ 97,235 | $104,006 | $ 93,644 | $ 96,042 | $ 98,104 | $101,281 | $115,798 | $117,012 | $117,542 |
| **Book Value of Common Stock**** | $420,454 | $396,283 | $368,663 | $335,226 | $315,003 | $289,311 | $268,418 | $248,857 | $235,004 | $216,664 |

NOTE: **Other foreign subsidiaries included with domestic and Canadian beginning in 1958.*
***Excluding intangibles.*

# NATIONAL DAIRY PRODUCTS CORPORATION

## AND DOMESTIC AND FOREIGN SUBSIDIARY COMPANIES*

### Condensed Ten-Year Statement of Consolidated Profit and Loss

*(All amounts are expressed in thousands, except per share and other statistics)*

| INCOME | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | $1,667,176 | $1,605,725 | $1,548,386 | $1,432,319 | $1,352,878 | $1,260,230 | $1,210,328 | $1,232,126 | $1,141,296 | $1,066,177 |
| Other income | 5,900 | 6,322 | 4,548 | 6,130 | 5,693 | 5,393 | 3,902 | 4,582 | 4,191 | 3,746 |
| Total income | $1,673,076 | $1,612,047 | $1,552,934 | $1,438,449 | $1,358,571 | $1,265,623 | $1,214,230 | $1,236,708 | $1,145,487 | $1,069,923 |
| INCOME DEDUCTIONS | | | | | | | | | | |
| Cost of products | $1,235,331 | $1,188,277 | $1,139,179 | $1,052,909 | $ 986,071 | $ 910,490 | $ 874,950 | $ 912,586 | $ 852,988 | $ 793,857 |
| Delivery expense | 158,836 | 158,539 | 159,569 | 152,616 | 145,237 | 136,900 | 128,995 | 126,712 | 117,787 | 108,083 |
| Selling expense | 117,292 | 109,494 | 106,204 | 97,106 | 99,910 | 89,185 | 84,679 | 76,245 | 67,841 | 64,183 |
| General and administrative expense | 54,502 | 52,483 | 52,539 | 48,749 | 47,279 | 45,944 | 44,986 | 36,318 | 31,871 | 33,617 |
| Miscellaneous charges—net | 2,431 | 1,989 | 2,009 | 576 | 794 | 508 | 736 | 411 | 719 | 1,001 |
| Interest on long-term debt | 2,737 | 2,803 | 2,943 | 2,735 | 2,813 | 2,909 | 2,991 | 3,074 | 3,133 | 2,788 |
| Federal and foreign taxes on income | 51,280 | 49,100 | 45,035 | 39,700 | 34,750 | 39,340 | 39,500 | 50,525 | 43,349 | 39,876 |
| Total income deductions | $1,622,409 | $1,562,685 | $1,507,478 | $1,394,391 | $1,316,854 | $1,225,276 | $1,176,837 | $1,205,871 | $1,117,688 | $1,043,405 |
| **Net profit for the year** | $ 50,667 | $ 49,362 | $ 45,456 | $ 44,058 | $ 41,717 | $ 40,347 | $ 37,393 | $ 30,837 | $ 27,799 | $ 26,518 |
| PAYMENTS | | | | | | | | | | |
| Dividends | $ 28,177 | $ 27,317 | $ 24,973 | $ 24,892 | $ 23,844 | $ 21,601 | $ 20,840 | $ 19,853 | $ 19,316 | $ 18,460 |
| Payroll | 262,013 | 256,331 | 255,602 | 244,558 | 233,491 | 221,866 | 211,522 | 203,724 | 190,482 | 177,752 |
| Taxes | 71,490 | 66,938 | 61,502 | 54,373 | 49,708 | 53,029 | 52,333 | 62,758 | 54,668 | 50,944 |
| PER SHARE OF COMMON STOCK† | | | | | | | | | | |
| Earnings transferred to earned surplus | $ 3.59 | $ 3.51 | $ 3.27 | $ 3.18 | $ 3.02 | $ 2.98 | $ 2.77 | $ 2.31 | $ 2.11 | $ 2.08 |
| Dividends | 2.00 | 1.95 | 1.80 | 1.80 | 1.75 | 1.60 | 1.55 | 1.50 | 1.50 | 1.45 |
| Taxes | 5.07 | 4.76 | 4.43 | 3.93 | 3.60 | 3.91 | 3.88 | 4.71 | 4.15 | 3.99 |
| **Book value** (excluding intangibles) | 29.79 | 28.19 | 26.53 | 24.21 | 22.81 | 21.36 | 19.91 | 18.68 | 17.86 | 16.98 |
| OTHER STATISTICS | | | | | | | | | | |
| Number of— | | | | | | | | | | |
| Stockholders | 69,940 | 69,708 | 68,681 | 68,364 | 66,478 | 64,841 | 63,177 | 62,318 | 63,205 | 63,797 |
| Employees | 47,943 | 48,809 | 50,482 | 46,332 | 46,496 | 45,905 | 45,733 | 45,274 | 44,405 | 44,264 |

NOTE: **Other foreign subsidiaries included with domestic and Canadian beginning in 1958.*
*†All prior years adjusted to give effect to the 100% stock dividend of September 15, 1954.*

# NATIONAL DAIRY PRODUCTS CORPORATION

## OFFICERS

E. E. STEWART
*Chairman of the Board and Chief Executive Officer*

J. HUBER WETENHALL
*President*

ROBERT S. GORDON
*Vice-President and Gen. Counsel*

J. CLYDE LOFTIS
*Vice-President*

GEORGE H. RUTHERFORD
*Vice-Pres. & Chr., Finance Comm.*

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A. BOAG, JR.
*Comptroller*

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*Treasurer*

JOS. L. CALIRI
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*Assistant General Counsel*

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*Assistant Treasurer*

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*Assistant Treasurer*

PETER CAMPBELL, JR.
*Assistant Comptroller*

L. J. ZIMMERLEIN
*Assistant Comptroller*

ELIZABETH H. DREHER
*Assistant Secretary*

CATHARINE FOURNIER
*Assistant Secretary*

RAYMOND P. DENNETT
*Assistant Secretary*

## OPERATING COMMITTEE

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E. E. STEWART, *Adviser*

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C. W. KAUFMAN

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ROBERT S. GORDON

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C. R. ROBERTS

GLENN GUNDELL

L. P. MCCOUN

GEORGE H. RUTHERFORD

HERBERT HUMPHREYS

E. M. TERNER

*Members of this committee are executives of National Dairy Products Corporation or of its divisions, and are designated by the Board of Directors.*

*Transfer Agent*
MANUFACTURERS TRUST COMPANY
New York, New York

*Registrar*
THE CHASE MANHATTAN BANK
New York, New York

*Counsel*
SULLIVAN & CROMWELL

*Auditors*
ARTHUR ANDERSEN & CO.

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NATIONAL DAIRY
PRODUCTS CORPORATION

Divisions

- KRAFT FOODS
- SEALTEST FOODS
- BREAKSTONE FOODS
- HUMKO PRODUCTS
- METRO GLASS
- SUGAR CREEK CREAMERY
- RESEARCH AND DEVELOPMENT

ANNUAL MEETING: The Annual Meeting of the stockholders of National Dairy Products Corporation will be held on Thursday, April 20, 1961, at 11 a.m. at The Statler Hilton Hotel, 33rd Street and Seventh Avenue, New York City. A formal notice of the meeting, together with proxy statement and proxy form, will be mailed to each stockholder on or about March 24, at which time proxies will be requested for use at this meeting.

NATIONAL DAIRY
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